

## Understanding opportunities in social entrepreneurship

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# **Understanding Opportunities in Social Entrepreneurship: A Critical Realist Abstraction**

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# **Understanding Opportunities in Social Entrepreneurship: A Critical Realist Abstraction**

## **Abstract**

This paper extends social entrepreneurship (SE) research by drawing upon a critical realist perspective to analyse dynamic structure/agency relations in SE opportunity emergence, illustrated by empirical evidence. Our findings demonstrate an agential aspect (opportunity actualisation following a path-dependent seeding-growing-shaping process) and a structural aspect (institutional, cognitive and embedded structures necessary for SE opportunity emergence) related to SE opportunities. These structures provide three boundary conditions for SE agency: institutional discrimination, an SE belief system and social feasibility. Within this paper, we develop a novel theoretical framework to analyse SE opportunities plus, an applicable tool to advance related empirical research.

**Keywords:** social entrepreneurship, opportunities, critical realism, context, China

Social entrepreneurship (SE) is a rapidly advancing domain of academic inquiry, practice and policy making (Choi and Majumdar, 2014; Domenico et al., 2010; Sassmannshausen and Volkmann, 2016). Within this paper, we focus on a specific element of this research field, that of SE opportunity and its relationship with entrepreneurial action. As such, we develop a theoretical critique of the extant opportunity debate within the SE literature drawing upon a critical realist philosophy to underpin this critique and inform empirical investigation. Consequently, we explore the following research questions: What is SE opportunity? How can it be empirically explored and explained?

SE can be defined as the pursuit of opportunities to create social value and catalyse social change (Hockerts, 2015; Murphy and Coombes, 2008). The notion of opportunity is therefore, central to definitions of SE. However, contemporary ambiguity in defining and explaining SE opportunities, and in some cases the notable contradictions between extant theory and the distinctive context of SE, demands new approaches to theory building in this domain. Unlike its market based commercial counterpart, SE provides a qualitatively different context in terms of mission, response to market failure, resource mobilisation and performance measurement (Austin et al., 2006). This makes the direct transposition of existing entrepreneurial opportunity theories onto SE problematic. We suggest that theory building pertaining to SE opportunity requires more considered engagement with appropriate philosophical discourse and methods to explore structure/agency relations and how opportunities emerge.

To contribute to such theoretical development, we draw upon a critical realist approach to develop a causal explanation of how SE opportunities emerged from our empirical data. To capture the foundations underpinning SE opportunities, we apply the three units of observation suggested by Dimov (2011) to facilitate the empirical identification of SE opportunities and associated behaviours. These constitute: seed venture ideas, entrepreneurial actions pursuing seed venture idea, and market exchange relationships.

The combination of a critical realist approach and the use of Dimov's theoretical framework enable new insights into the explanation of SE opportunities by theorising their unobservable structures and relations with SE agency by analysing observable entrepreneurial actions. We examine our research questions through an interpretive research methodology using a case study method, and critical realist analysis, to illustrate the complex and dynamic relations surrounding SE opportunities (Eisenhardt, 1989). The

study was conducted in China, where on-going economic and social transitions have fueled an emerging and active social enterprise sector, providing an appropriate social context to study SE (Yu, 2011; Zhao, 2012).

To explore our arguments, the paper is structured as follows; initially, we develop our theoretical framework to position our arguments. We then outline our methodology followed by a description of the findings linking them back to the analysis. We then discuss the contribution of the study, limitations and offer final conclusions.

### **‘OPPORTUNITY’ IN SOCIAL ENTREPRENEURSHIP RESEARCH**

Despite the central role of opportunity in SE, there is a relative paucity of research exploring this issue (Sassmannshausen and Volkmann, 2018). SE opportunities have been deemed to arise within situations which enable positive social impact supported by the required investment (Guclu et al., 2002) or simply, as the generation of social value (Monllor, 2010). Such definitions are helpful in terms of considering social value creation as the primary goal in SE opportunities, but they are also misleading as using the outcome of a social object to define the social object is tautologous. The extant literature largely takes SE opportunity as a given, or uses it as a unit of analysis without specifying its meaning or how it can be studied (Hockerts, 2015; Muñoz and Kibler, 2016) whilst there is a dearth of theory and empirical work exploring processes of opportunity emergence within the SE context.

It is thus, not surprising that SE scholars borrow concepts from market based commercial entrepreneurship literatures such as opportunity discovery, creation, recognition, identification –often used interchangeably – to study SE opportunities (Engelke et al., 2015; Zahra et al., 2008). For example, attempts have been made to link SE opportunities and actions to discovery or creation theories. It has been argued that SE opportunities are created by changes to the social, economic and political context

(Engelke et al., 2015; Perrini et al., 2010), institutional voids (Zahra et al., 2008) or social disequilibrium due to market and government failure (Martin and Osberg, 2007; Monllor, 2010). Alternatively, SE opportunities are conceived, developed and refined according to internal cognitive factors such as personal experience and an opportunity-oriented mindset (Guclu et al., 2002).

However, whilst there is continuing debate and controversy regarding the efficacy and value of diverse arguments regarding opportunity theories (Davidsson, 2017; Foss and Klein, 2017), we argue that such debates cannot be directly transposed into the SE context without serious contradictions between theory and context. Unlike its market based commercial entrepreneurship counterpart, SE provides a different context in terms of mission, response to market failure, resource mobilisation and performance measurement (Austin et al., 2006). A key difference here is that SE opportunities must always contain an objectively existing need for social value creation independent from the social entrepreneur. Whether this need lies in social inequality, poverty, educational deficits or well-being issues, these needs must be in place before SE opportunities can exist or be enacted. These social needs are also likely to be unrelated to economic value creation activities, as those for whom the goods or service are provided are unlikely to have the means to purchase them at market value (Santos, 2012). Moreover, as SE is located in a social or community context, the normative notion of prioritising financial returns is not central to SE opportunities (Engelke et al., 2015; Robinson, 2006).

The two key theories underpinning entrepreneurial opportunity within the broader literature have foundational principles that are contrary to the rationale for SE. Discovery theory suggests that entrepreneurial opportunities are exogenous pre-existing socio-economic situations whereby alert individuals can access relevant information, capitalise upon this information and generate profit (Eckhardt and Shane, 2010; Kirzner, 1997;

Shane and Venkataraman, 2000). Accordingly, opportunity discovery is difficult as specialist prior knowledge, skills and insights based upon an individual's life experiences (Eckhardt and Shane, 2010; Shane, 2000) act as a foundation to alert them to discovering the opportunity. Whereas, within SE, many social needs related to, for example, homelessness, disabilities, child poverty, environmental issues are common knowledge. This suggests that SE opportunity discovery does not necessitate specialist insight to inform the 'discovery' process. Thus, whilst those who seek to address these evident problems may, or may not, have the experience and skills to enact the opportunity, the need for action is however, evident within the social realm.

Likewise, creation theory argues that opportunities are socially constructed via subjective beliefs and an iterative process of actions and reactions to generate economic wealth (Alvarez and Barney, 2007; Alvarez et al., 2010; Sarasvathy et al., 2010). Whilst it may be that entrepreneurs are able to develop such beliefs and actions, SE opportunities still cannot be subject to the types of processes that creation theories propose. For example, commercial entrepreneurs may be able to create market demand, but social entrepreneurs cannot do so for their services or products as they necessarily have to respond to, or act upon, objectively existing social needs when forming their ventures. It would be considered ethically abhorrent for a social entrepreneur to create the conditions for a social need so as to develop an opportunity.

Consequently, asking whether opportunities are discovered or created is a problematic starting point for research within SE contexts. However, the extant SE literature largely ignores these conceptual and contextual issues. The contemporary ambiguity in defining and explaining SE opportunities, and in some cases the notable contradictions between definitions, limits empirical investigation demands new theory building in this important field.



In line with Short et al. (2010) and Ramoglou (2013), we suggest that new theory building around SE opportunities should not simply explore the objective/subjective nature of opportunities, but requires more considered engagement with appropriate philosophical discourse to look at how opportunities emerge. We commence this investigation assuming that SE opportunities are ‘the gaps between socially desirable conditions and existing reality’ (Guclu et al., 2002: 3). As such, social entrepreneurs may draw upon belief systems that generate moral imperatives enabling greater sensitivity to the recognition of social needs (Perrini and Vurro, 2006). In the broader generic entrepreneurship literature, it has been argued that entrepreneurs form business ideas through recognising structural change, which generates gaps prompting action to exploit such gaps in the market (Eckhardt and Shane, 2010; Eckhardt and Shane, 2013), while entrepreneurial aspirations and decisions to found a new venture are still embedded in the market as a social structure (Sarasvathy, 2008). Here, the real tension reflects the on-going debate regarding the relationship between structure and agency. That is, whether social and economic structure has determinant influences over agency, or the agent’s meaningful and intentional actions constitute social structures (Danermark et al., 2002). Either way, structure and agency must co-exist in order to make the opportunities emerge, and we can interpret their existence by investigating the relationships between structure and agency within the SE context without being constrained by the above limitations of discovery or creation theories.

Our aim therefore, is to develop an SE opportunity theory that is cognisant of this distinctive context and which enables exploration of both the structural and agential facets at work when SE opportunities emerge. Exploring structure and agency in the distinctive context of SE subsequently requires methodological and theoretical novelty. The fundamental problem that arises is how to incorporate structure and agency, whilst

examining them in consistent and cogent ways that enables robust explanations of SE opportunity. To achieve this objective, we adopt a critical realist approach that incorporates the influence of both structure and agency without adopting conflicting ontological positions (Leca and Naccache, 2006; Mole and Mole, 2010).

### **A CRITICAL REALIST CONCEPTUALISATION OF SE OPPORTUNITY**

Critical realism argues that the social world is a stratified, open system of emergent entities with causal powers that generate effects and so engender change (Bhaskar and Lawson, 1998; Mingers et al., 2013). Such entities can be structured at different levels (psychological, social, organisational, economic) each having its own causal powers and properties that generate real effects and social events (Mingers et al., 2013). Entities can exist in observable or unobservable ways – they can be physical, social or conceptual (Easton, 2010; O'Mahoney and Vincent, 2014). A social event occurs when a set of entities, possessing causal powers, combine and enable or constrain agential action (Hu, 2018). For example, a 'social enterprise' can emerge from the interactions between other entities such as social entrepreneurs but as an emergent entity, a 'social enterprise' can also obtain new causal powers, such as a hybrid organisational form. These cannot be reduced or explained solely through the action of the social entrepreneur. These new causal powers can also provide further enabling or constraining conditions for agency. Accordingly, from a critical realist perspective, an SE opportunity would be described as an emergent social entity that can manifest itself as products or services creating social and economic value. An SE opportunity would have a structure of entities unique to it, with its own causal powers, some of which would be independent of the agent (Archer, 1995; Mole and Mole, 2010).

This conceptualisation means that SE opportunity theory, informed through CR, requires both objective, independent structures and subjective agency to be identified

within SE opportunities. In CR, structure and agency are considered as separate strata. Structures always provide the context in which agency occurs, while social interaction between agents constitutes the environment where structures are reproduced or transformed (Danermark et al., 2002). When applied to the SE context, this conceptualisation means that social structures such as objectively existing social needs or problems always provide the context for entrepreneurial actions. Equally, these social needs can be reshaped or addressed as a result of a social entrepreneur's actions. An SE opportunity therefore, emerges because of the interactions between structure(s) and agency. The implication of our conceptualisation is three-fold.

First, the structure of an SE opportunity can be produced through past human agency, but it obtains new emergent properties that cannot be reduced to, so are accordingly, independent from such agency; for example, poverty is created by past human action and the condition of poverty can be independent from the social entrepreneur that acts upon it. Second, structures can have causal powers that may, or may not, be exercised or indeed, responded to, through human agency - but non-action does not affect its existence (Ramoglou and Tsang, 2016). Hence, an SE opportunity can exist either as actualised or un-actualised. Finally, the structures provide boundary conditions that enable and constrain SE agency (Martin and Wilson, 2016). So, social entrepreneurs can fallibly act upon these structures (Mole and Mole, 2010), and individuals may choose to act differently, or not to act at all, in relation to such structural boundary conditions. An SE opportunity only emerges, or is actualised, when individuals choose to act.

Critical realism holds that the interaction between structure and agency cannot be readily observed through human actions and experiences, but only through social scientific analysis (Archer, 1995; Danermark et al., 2002). In our study, conducting such

a scientific analysis on SE opportunities requires two actions: first, the identification of the prerequisite entities causally related to the emergence SE opportunities; and second, to specify the structures of these entities, and their effects upon social entrepreneurial human agency. Subsequently, key questions for critical realist theory development are: What are the necessary conditions (combinations of structural and agential causal powers) for the existence of a particular entity? What causal powers *must* it contain? And how are these causal powers enabled and constrained by the distinctive context within which they are found? It is these principles that guided our over-arching research questions: What is SE opportunity? How can it be empirically examined and explained?

However, as entities that construct SE opportunities are not always observable, their existence must be inferred through observation of effects (Bhaskar, 1978; Zachariadis et al., 2013) or through experience of social events (Sayer, 1992). This requires a guiding framework for the empirical method. As current research has little in the way of empirical guidance to what SE opportunities may be, it is necessary to draw on previous theory to guide this empirical work. To do so, we combine a framework by Dimov (2011), which was proposed specifically to enable opportunities to be empirically identified with validity with our critical realist analysis. With some modification in the SE context, this combination enables us to identify three units of observation to empirically observe the effects of actualised opportunities– the empirical effects of structure and causal powers exercised through human agency – in the SE context. The three units of observation are: seed venture ideas, social entrepreneurial actions, and market exchange relationships. The actualisation of entrepreneurial opportunities begins with seed venture ideas where entrepreneurial imagination and beliefs are formed and evolve. These aspirations and beliefs then trigger entrepreneurial actions and their intended outcomes, such as venture types, as the formal cause behind the action (Dimov,

2011). Finally, opportunities emerge while potential market exchange relationships are actualised through the entrepreneurial process.

We regard these three observable dimensions of opportunities as the effects of causal powers exercised by human agency; this enables analysis of the necessary structure-agency relations in SE opportunity emergence. Identifying entities and their structures based on these observation requires the researcher to undertake a process of conceptual abstraction (Bhaskar, 1979; Sayer, 1992). Critical realist abstraction explores the nature of relations between entities (Blundel, 2007; Danermark et al., 2002). According to Bhaskar (1979), the relations of two entities should be described as ‘internal’ only if an entity can only exist in relation to the other. In other words, entities internally related to a social event, such as an opportunity, are those that cannot be removed without the event disappearing in its current form (Danermark et al., 2002). For SE opportunities, this means identifying and specifying those entities and their causal powers internally related to SE opportunities and to separate them from contingent relationships unnecessary for the existence of SE opportunities. Combined, the philosophy of CR, with its method for identifying entities internally related to an SE opportunity, and the use of Dimov's (2011) framework to guide our empirical observation of the effects of SE opportunity actualisation, provide a framework of conceptual tools to develop an understanding of SE opportunities.

## **RESEARCH METHOD**

The dispositional realist philosophy, developed by Bhaskar (1979) and Archer (1995), underpins the methodological approach within this study. A critical realist methodology requires the development of a causal explanation of an entity; the starting point here being to define how the entity can exist through identifying its internal relations. This involves identifying the structures of the entities identified and causal

powers that have the potential to operate within a context. Underpinning this approach to empirical research is the DREI(C) method (Mingers et al., 2013; Pratten, 2007). This method is an exercise to shape the theoretical framing, inform the research methods, the type of analysis required, and aids identification of internal relations and causal explanations. DREI(C) requires the description of the object of enquiry (D) based on the three units of observation identified, uncovering theory-practice contradictions or anomalies. Retroduction (R) is a form of inference adopted in critical realism that aims to explain social events by postulating and identifying causal structures and mechanisms which can produce the events (Sayer, 1992). It offers an explanation of any structure or structures and their causal powers at work through conceptual abstraction. This includes understanding what causal powers participants report within a context that enables or constrains agency; why this might be the case and how participant accounts can be combined to explain the causal processes at work. A retroductive causal explanation should also include the elimination of competing explanations (E) with the completed analysis requiring inference (I) of which causal powers are at work within a context (C).

In this study, we undertook a multiple-case approach built around the DREI(C) methodology. A multiple-case approach facilitates understanding of complex and dynamic relations (Eisenhardt, 1989) and so, is a suitable approach when studying the structure-agency relations underpinning SE opportunities. Moreover, critical realism provides a method of theoretically informed abstraction and a focus upon fundamental internal relationships providing a rigorous analytical method for narrative-based qualitative research (Blundel, 2007; Danermark et al., 2002).

## **Research Context**

Actions are better understood within context (Baker and Welter, 2018). Within SE research context is critical in shaping the emergence of SE opportunities (Corner and

Ho, 2010). SE activities require social needs to exist and so, are influenced by government, social and institutional norms at the country (Estrin et al., 2013; Stephan et al., 2015) and community-level resources and networks (Haugh, 2007; Lumpkin et al., 2018; Shantz et al., 2018). More specifically, Doherty et al. (2014) suggest that SE responds to two types of demands: market logic to achieve business ends and a social welfare logic to achieve social ends. Drawing from such arguments, we focus upon China given that its economic and social transition since the 1970s provides a facilitative context, which has fostered both types of logics and generated an expanding SE sector (Yu, 2011; Zhao, 2012). China presents a qualitatively different setting that provides rich data for developing new theories about SE opportunity emergence acknowledging such social needs and changes.

Since 1978, China has shifted from a centrally planned economy to a ‘hybrid’ model, neither fully socialist or capitalist, bringing about significant change in the general business environment (Tan, 2007; Tan, 2005). This has prompted a decline in public sector services as the main social welfare provider; creating considerable challenges to the social welfare system (Yu, 2011). Various regulations have been developed to facilitate entrepreneurial engagement in social issues (Ding, 2007; Su et al., 2015; Zhou, 2011), such as encouraging corporate social responsibility and foundations (Yu, 2011), as well as enabling social enterprises to obtain legal status without a supervisory body (Zhao, 2012). As a consequence, the economic transition in China nurtures the market logic of entrepreneurial activities with consequences for social norms, whilst the Chinese social welfare system nurtures a social welfare logic of social needs for SE. Not-for-profit activities, including SE, have emerged in response to this situation (Yu, 2011). Accordingly, China provides a rich environment to analyse emerging SE opportunities; this constitutes an essential step of the DREI(C) methodology we follow.

## **Sample and Data Collection**

To achieve heterogeneity, we adopted maximum variation sampling strategy for data collection, a sub-category of purposeful sampling. This sampling strategy allows the specificity of different cases to be documented, while capturing shared patterns and central themes across diverse cases or participants (Patton, 1990). The study comprised 36 different organisations as ‘cases’, including 22 social enterprises, two for-profit social businesses (C-11, C-19), five non-profit organisations (NPOs) (C-10, C-12, C-14, C-17, C-23) and six supporting organisations (S1-S6). These cases were selected from two Chinese social enterprise databases published online by the British Council in Beijing and Social Enterprise Research Centre in Shanghai. Between one and three participants were interviewed in each case. Appendix 1 provides an overview of our participants. Each organisation and participant was allocated a code to respect their anonymity. We conducted 29 semi-structured interviews with social enterprise founders and 16 interviews with employees and other key stakeholders such as leaders of supporting organisations to facilitate cross-referencing of perceptions and experiences. We critically evaluated the validity of our findings through comparison of the interview data with on-site observations, participant observations, informal conversations, documents such as newsletters and media reports, and comparisons of founder interviews with other stakeholders.

## **Data Analysis**

Following the DREI(C) methodology, our data analysis began by identifying the observable SE experiences and actions utilising the three units of observation (explanations of seed venture ideas, SE actions, and market exchange relationships). Individual and cross-case analysis was undertaken using NVivo; with coding involving categorising the data into themes, and using critical realist abstraction (Kempster and



Parry, 2011) to examine the world views and explanations of those working in SE environments. The focus of this analysis was identifying where causal powers may be acting, or acted upon by participants (Danermark et al., 2002). We began by grouping experiences into the three units of observation (see Appendix 2), in order to capture and sort data and to describe observable SE opportunity experiences. Specifically, we searched for information relating to three questions in each case: How did social entrepreneurs form seed venture ideas? When and how did social entrepreneurs take actions to actualise the seed venture ideas? How did they develop market exchange relationships?

The next step of data analysis organised the material by theoretical themes as first order concepts. Everyday concepts are identified and transposed into a theoretical form to gain new insight into the focal social event (Danermark et al., 2002). Through an iterative process, we repeatedly compared the data to relevant theories. We coded participant experiences using theoretical concepts such as search for information (Eckhardt and Shane, 2010), serendipity (Dew, 2009), and trial and error (Alvarez et al., 2010). Subsequently, we performed a cross-case analysis to retroduce the entities consistently present within the SE opportunities described; these were then evaluated for their likelihood of having causal powers relevant to all SE opportunities (internally related). This was achieved by comparing and contrasting the data across different cases by asking ‘what cannot be removed without making the objective, i.e. SE opportunities, cease to exist in its present form?’ (Danermark et al., 2002: 47). Applying this critical realist interrogation, we identified the internally related entities necessary for SE opportunities to emerge within these case studies, i.e. the entities that are necessary for SE opportunities to exist. Through cross-case comparison, we also eliminated entities that were external or contingent to the existence of these SE opportunities. These external or

contingent entities included demographic characteristics such as gender and industry and theoretical concepts such as entrepreneurial alertness (Kirzner, 1997). This is a crucial stage where competing explanations were eliminated as they did not offer valid explanations in the SE context.

The retroduction process was followed by further comparison between the internal entities, data and literature. Through this, we derived second order themes across cases (see Appendix 2). Finally, by scrutinising the links between these second order themes, we retroduced the structures and causal powers contained in the internal entities describing them as third order abstraction categories across all cases (see right hand column in Appendix 2). These structures and causal powers were: institutional structure (institutional discrimination), cognitive structure (social entrepreneurial belief system), and embedded structure (social feasibility). From our cases, we were able to conclude that these structures and causal powers were able to explain the relations between SE opportunity structures and agency. Thus, they were viable entities for constructing a new conceptual framework of SE opportunity closely matching the empirical reality of these SE opportunities (Easton, 2010; Wynn and Williams, 2012). Following the example of (Gioia et al., 2013), we provide the stages of our data analysis in Appendix 2. This table depicts the analysis process identifying which observed SE actions led us to retroduce certain second order themes, and third order abstract categories. As such, this table does not provide an overview of all relationships between actions and structures, just the internal relations. Whilst the same actions (first order concept in Appendix 2) can relate to more than one structure and causal power (second order theme), the table presents only the links between the actions with the structures and causal power necessary for these actions to take place.

## FINDINGS

Our results suggest that the actualisation of a specific SE opportunity by a particular social entrepreneur resulted from diverse path-dependent actions, i.e. actions that followed a route set by prior events. As such, SE opportunities were actualised through a path dependent process that we describe as a process of seeding, growing, and shaping. Critical realist abstraction permitted us to analyse SE opportunity emergence through retroducting three internally related structures and their causal powers that enable this observable actualisation process. Combined, these findings serve to create a novel conceptual framework for understanding SE opportunity theorising the relationship between the structure of SE opportunities and agential action in SE opportunity emergence (see Figure 1).

### Description of SE Opportunity Actualisation

Participant comments suggest that social entrepreneurs had grown and refined the social venture idea through rational planning and decision-making, whilst also remaining open and adaptive to contingencies. Accordingly, opportunity actualisation contained both teleological and non-teleological aspects (Sarasvathy et al., 2010). For example, P26-1 stated:

*‘My understanding of the system is ... organic. If I plant a seed, it doesn’t grow straight up. I cannot tell how many branches there will be, that plant will adjust to where the sun is and the wind. I think organic means you go into this, with a very clear idea of what you want to accomplish, ... being ready to take parts you didn’t anticipate. ... Maybe I don’t get what I originally wanted but other doors open’. (P26-1, founder, disability)*

From this explanation, we suggest that the actualisation of the SE opportunity is path-dependent, namely dependent on certain conditions (sun and wind) and events (other doors open). Dependent on these, a seed venture idea may or may not sprout. If it does sprout, it ‘grows’ within a particular medium and environment. Similarly, dependent on

conditions and events, the SE opportunity can grow into various ‘shapes’ that differ from the original seed idea. This participant’s world view reflects the critical realist term ‘emergence’ whereby the opportunity possesses new properties that cannot be reduced to, or defined by, the seed venture idea (Archer, 1995; Easton, 2010; Wynn and Williams, 2012), hence, there are ‘*parts you didn’t anticipate*’ (P26-1). P26-1 began by looking for sustainable sources of income to support a school for the deaf; but in response to feedback and suggestions, he created a venture that employed deaf people to produce affordable hearing aids. These path dependent actions can be described in terms of three aspects: Seeding, growing, and shaping (see first order concepts, description of actualisation, in Appendix 2). We now elaborate upon each of these aspects.

**Seeding.** Seeding refers to forming a seed venture idea through interaction between a social entrepreneur and the environment. These ideas could be vague, such as ‘do something about volunteering and children’s education’ (P5-1). They formed through a process of active information searching and scanning, for example, in the explanation that ‘*we have to do what is mostly needed by our beneficiaries, and we can know this from ... the government*’ (P18-1). These ideas could also emerge through insights gained from prior knowledge and experience, such as: ‘*having experience in (business and foundations), I can now put them together and really do something for these disabled children*’ (P6-1). If such knowledge and experience corridors were absent due to, for example, a lack of prior experience, social entrepreneurs embraced serendipitous discoveries to address such challenges. For instance, an artist claimed to have ‘accidentally’ become the founder of a social enterprise:

*‘It was all by chance ... I didn’t know much about charitable activities, and I had no interests in them. I just participated in an international art exhibition ... tried to teach some disabled people modern art ... But the*

*public and press understood my work ... as something that NPOs [Non-Profit Organisations] would do to solve social problems. Since then I started to know NPOs and incubators. I was told (by the media) that there was an incubator in Shanghai, so I came here and started the social enterprise.’ (P25-1, founder, disability)*

In this case, the seed venture idea gradually evolved through interactions between the social entrepreneur, the media and the public. The SE opportunity involved collective action that steered the participant towards recognising a need to create a social enterprise. Although lacking experience in the sector, he was able to obtain essential information about NPOs, incubators and sources of funding through networking.

**Growing.** We define ‘growing’ as advancing, refining and acting upon the seed venture idea with resources to trigger actions whilst adjusting to external contingencies and unexpected risks. Our results suggest that social entrepreneurs advanced, refined and acted upon the seed venture ideas through a series of normative decisions and mission-driven actions. These included market research and business planning, while being adaptive and open to unexpected circumstances. A manifest outcome of such was a *potential* social enterprise, i.e. a prospective product or social enterprise that had not yet reached the market.

Social impact creation and moral judgments informed these actions. Participants reported that they were driven by social missions such as ‘*to enable the elderly to enjoy a happy life at home*’ (P4-1) or ‘*influencing more people to read and think*’ (P8-1). Moral judgement appeared to be a high level of adherence to moral obligations to beneficiaries based on the personal circumstances of participants (Mair and Noboa, 2006) rather than external social norms (Hockerts, 2015). For example, P6-1 had met an autistic child and his mother previously noting she: ‘*didn’t know how to help him at that time*’. Although

they never met again, this moral obligation motivated her over time to finally set up a social enterprise to ‘*do something for these disabled children*’.

With the incentive of social impact creation and moral judgement, social entrepreneurs combined resources such as previous experience, knowledge and networks that had not yet been connected. Participants were urged to draw upon information from various sources from the private and public sectors as well as their own contacts. With all the means and experiences combined, seed ideas were finally transformed into action by establishing social enterprises.

However, as resources were being combined in novel ways, actions taken to achieve social missions occurred within an uncertain environment. Participants reported taking normative actions to mitigate this uncertainty (Alvarez and Barney, 2007; Sarasvathy, 2001), such as risk analysis and evaluation of alternative means. In the situation of goal ambiguity and isotropy (Sarasvathy, 2008) where potential risks or threats were unpredictable, participants experimented with their venture ideas learning as the new social mission took shape. This trial and error process involved decision making based on affordable losses (Sarasvathy, 2008) as entrepreneurs relied upon recursive attempts to experiment with ideas through available resources, re-inventing business models, rather than insisting upon given goals.

***Shaping.*** Shaping refers to entering and occupying a position in the social market structure through the creation and development of exchange relationships. In our study, these actions helped social entrepreneurs create sustainable products or services that made social impact and allowed their social enterprises to take shape. We found that social entrepreneurs created exchange relationships not only with traditional market actors, such as customers, but also with a wider social sector market (Robinson, 2006) where at least

five major actors could be identified, namely beneficiaries, the government, foundations, commercial companies and volunteers.

Beneficiaries were at the centre of the exchange relationships given their needs were paramount. Participants reported drawing upon beneficiaries or target community capabilities to develop appropriate products. For example, C24 was a social enterprise offering tailored training workshops for large companies delivered by blind trainers in a completely dark environment. As such, it provides a new employment opportunity for blind people by fully utilising their advantages. Here the capacity of beneficiaries was effectively utilised in the market exchange relationship, while the income is sufficient to support operations and development. Foundations had an important role in idea implementation, capacity building and social investment. Charitable foundations supported social enterprise survival whilst, in return, social enterprises helped to support the social mission of the foundations. Commercial companies, normally the PR departments of large multi-national corporations, participated in the social sector market as channels for stable sales, skills training and volunteering.

Collaborations and partnerships were central to developing social sector market exchange relationships. P25-1, an artist, used the artistic metaphor ‘social sculpture’ to illustrate this point:

*My understanding of social sculpture is to see every group of people as a different element of art creation where different stakeholders, such as the government and companies, can be seen as paint, brushes or palettes. So the art creation is to allow these elements combine in different ways to make impact on the society. ... [Together] we are shaping a different art-form of the society. ... I am just a facilitator to guide and connect everyone to try to achieve an idea. (P25-1, founder, disability)*

According to this metaphor, every actor in the exchange relationships was part of a greater social sector market collaboration; the traditional boundaries between sellers and buyers in the social sector market became blurred.

### **Retroducting the Structures and Causal Powers of SE Opportunities**

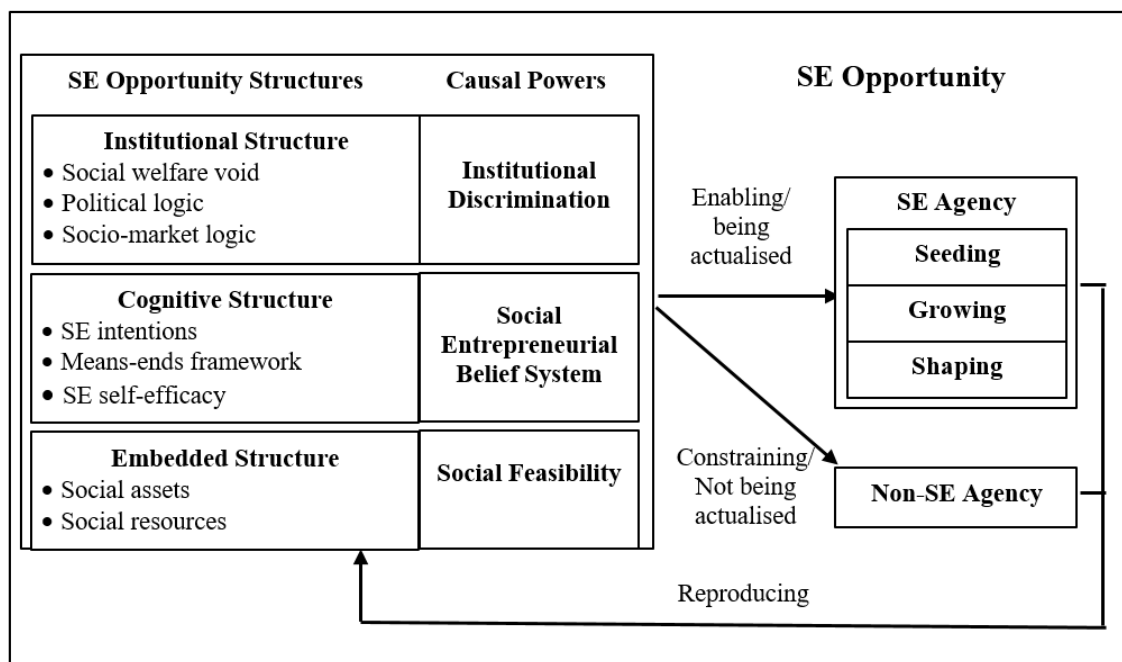
Participant comments suggest that SE opportunity actualisation is a non-linear and path-dependant process of seeding, growing, and shaping which requires interaction between social entrepreneurial agency, the external environment, social networks, contingencies and uncertainty in the social sector market. Opportunity actualisation was also contextualised; thus, the actualisation of a specific SE opportunity by a particular social entrepreneur, under certain circumstances, could not be replicated in other cases. Nevertheless, through critical realist abstraction and elimination of external relations, we are able to identify the internal structures, causal powers and their relations to human agency that explain such a process. Specifically, we identified three structures and their inherent causal powers: the institutional structure (institutional discrimination), cognitive structure (social entrepreneurial belief system), and embedded structure (social feasibility) as shown in Figure 1. The institutional, cognitive and embedded structures represented a number of entities that were internally related SE opportunities across all cases. We found no SE opportunity could be actualised in absence of any of these three structures. As illustrated by Figure 1, the institutional, cognitive, and embedded structures provided boundary conditions to SE agency and opportunity actualisation.

First, with regard to the institutional structure, we identified several institutions in the Chinese context that generated both enabling and constraining conditions for social entrepreneurs who were forming seed venture ideas aiming to create social and economic value. We termed these conditions ‘institutional discrimination’. These circumstances were available to all social entrepreneurs, market based commercial enterprises and



NPOs, but not every agent would act upon them. As such, institutional discrimination provided a necessary, but not sufficient, condition for the actualisation of SE opportunities. Second, the ‘cognitive structure’ enabled social entrepreneurs to develop an SE belief system that informed the development of a social enterprise, rather than a commercial venture or NPO. A social entrepreneurial belief system was therefore, also a necessary but not sufficient boundary condition for the actualisation of an SE opportunity. Third, we identified an ‘embedded structure’ in that participants remarked upon the availability of social assets or resources embedded in the interactions between social entrepreneurs and other actors, which influenced whether the SE opportunity could be actualised. Hence, the embedded structure provided another boundary condition, which we termed ‘social feasibility’, for the actualisation of the SE opportunity. We now turn to each of these structures, and their associated causal powers, to demonstrate why, and how, they form the necessary internal relations that constitute SE opportunities.

**Figure 1. A Critical Realist Explanation of SE Opportunity Emergence**



***Institutional Structure and Institutional Discrimination.*** China's institutional environment created a distinct 'SE sphere' that enabled social entrepreneurs to develop seed venture ideas and take action. The institutional structure consisted of formal and informal institutions that social entrepreneurs navigated including: social welfare voids; a political logic and a socio-market logic. First, social welfare voids generated a mismatch between the supply and demand of social goods/services prompted by the retreat of the state as a provider; for example, in Case 26 (a venture employing deaf people), a state-owned textile company had closed with many deaf employees made redundant. Second, political logic is represented by the government's long-term social policies and plans. Participants reported that such policies could be seen as reflection of the trend in socio-economic development. As such, demonstrating consistency with social policies and plans enabled social entrepreneurs to develop venture ideas which would more readily receive government support. As P18-1 said:

*'I think we have to firstly understand that non-government organisations are not anti-government organisations. We have to do what are mostly needed by our beneficiaries, and we can know this from what the government pays attention to most. So is a complementary relation. Once you get your position right, there are so many resources you can use'. (P18-1, manager, women empowerment)*

In this case, the interpretation of the central government's No.1 Policy on Agriculture led to an approved project on organic and safe food. We also identified a combined socio-market logic indicating a growing social acceptance of SE. As P22-1 explained:

*'We were lucky because the concept "social enterprise" had become more popular at the time we started our organisation [in 2010]. When I was originally trying to set up a business, or even a NPO, nobody would pay attention to me. But because the public and the media now recognise us as a social enterprise, and we are considered as a new way of solving social*

*problems, so people like to give us resources, and we have received a lot’.*

*(P22-1, founder, disability)*

Unlike contexts where SE originates either from the existing non-profit sector, adopting a market logic as ‘commercial non-profits’ (Defourny and Nyssens, 2010), or from the existing private sector, adopting a social welfare logic as ‘social-purposes businesses’ (Bacq and Janssen, 2011), the social and market logics in our study were relatively integrated. As P5-1 noted, *‘you can’t separate a good social product from the market’*. This reflects the fact that SE as a practice was not recognised in China until 2004 (Bhatt et al., 2017; Ding, 2007).

Our findings suggest that the institutional structure had effects on differing types of agency. Specifically, institutional discrimination provided enabling effects on SE agency and constraining effects on non-SE agency, as shown in Figure 1. As illustrated by our findings, favourable policies and social norms could act to release resources and encourage support for social enterprises. For social entrepreneurs, adopting a socio-market logic means *‘we can use commercial methods to optimise our working process and to improve efficiency and quality of our products’* (P5-1, founder, rural education). However, non-SE agents could interpret and respond to these institutions differently, which influenced the outcomes (Austin et al., 2006; Monllor, 2010). The socio-market logic was also rejected by some NPOs as *‘it is extremely difficult for them to change their grassroots mindset of doing things, they would simply say it is wrong to earn profit ... and see it as a disgraceful thing’* (P6-1, founder, autism). As a consequence, these NPOs focused upon fund raising, choosing not to provide social goods or services through a social enterprise. Nevertheless, no matter how different agents responded to the institutional structure, it would continue to exist independently of their perception - as an objective, independent structure in the critical realist sense.

***Cognitive Structure and Social Entrepreneurial Belief System.*** The institutional structure alone could not distinguish SE opportunities from other types of opportunities and non-SE opportunities, as it was available to various agencies such as NPOs. As one participant reported:

*We can definitely start up a traditional NPO ... but still I think it is better to try an innovative and self-sustainable way to do it. I studied economics before, so I believe in market, and we don't have to rely on external funding as long as there is demand in the market. That is why I positioned the organisation as a social enterprise. (Participant 13-1, founder, volunteering)*

This illustrative quote indicates that a seed venture idea could lead to the creation of a social enterprise, or the creation of a traditional NPO, depending upon how the social entrepreneur chose to implement the idea. Consequently, it is necessary to explore how and when social entrepreneurs chose to act upon seed venture ideas and what structures enabled such choices but constrained others. P24-1 suggested that *'the key thing is that [one must] totally buy the value and have a great passion and desire to get things done'*. This illustrates three cognitive entities internally related to an SE opportunity: first, for an SE opportunity to emerge, would-be social entrepreneurs must have intentions (*'passion and desire'*) to act upon seed venture ideas; second, there has to be a willingness to develop means to achieve social and economic ends (*'buy the value'*); and finally, they need to have self-efficacy in believing their solutions can be successfully implemented to the best of their knowledge and experience (*'passion and desire to get things done'*). These three cognitive entities combine to form a cognitive structure that enabled SE agency in actualising an opportunity in this case. As illustrated by the above quote, the cognitive structure develops from a social entrepreneur's past experience and prior knowledge. Yet, it also forms a new causal power: 'social entrepreneurial belief

system', which shapes what is considered socially and entrepreneurially possible, thus affecting future agency.

The findings from our cases illustrate that intentions to develop SE opportunities could commence with general emotional empathy, interests or moral judgments (see Appendix 2, first order concepts that are part of SE intentions), such as to '*influence more people to read and think*' (P8-1), or being passionate about charitable activities (P22-1). The intentions may not have been actualised when formed but could enable future SE agency. For example, P6-1's intentions to work with autistic children were instigated by previously meeting such a child. This intention was then actualised after she '*felt like having all the experiences of doing business, (working) in the non-profit sector, I can now put all these together and really do something for these disabled children*'. In our cases, we found that social entrepreneurs developed means-ends frameworks, mostly in the form of innovative business plans, existing business models, such as micro-finance and fair trade, or simply a general business idea. But regardless of in which form the means-ends frameworks were developed, social entrepreneur actions and willingness to develop such frameworks was necessary for the actualisation of opportunities. In P6-1's case above, her initial intentions did not enable SE actions until she was able to develop a solution to address the social problem. This participant cohort also demonstrated a high level of self-efficacy, visible in their expressed confidence regarding potential challenges, gains and losses, such as '*I guess my passion was so strong that I was willing to do this with low capitalisation*' (P26-1, founder, disability), and '*I gave myself three years (to run the organisation) ... the worst thing could happen was just failure ... so the loss was just three years' time, which I thought it was totally acceptable*' (P5-1, founder, rural education). This self-efficacy appeared to affect the initiation and persistence of their actions to implement means-ends frameworks.

***Embedded Structures and Social Feasibility.*** Whilst the social entrepreneurial belief system enabled SE agency in implementing seed venture ideas, access to resources embedded in market exchange relations was also necessary for successful actualisation of the SE opportunity. An illustrative example is C24, an international social enterprise franchise. This was introduced to China in 2007, but despite a previously effective business model and support from the franchiser, it initially struggled to achieve its objectives. However, when P24-1 joined the enterprise in 2010, he had local contacts and knowledge such that positive relationships were established with key local stakeholders. We use the term ‘embedded structures’ to describe the aggregation of the resources embedded in these relationships (see opportunity structure in Figure 1), and ‘social feasibility’ (causal power in Figure 1) to refer to the availability of these resources which affect the possibility for the development of SE opportunities.

As part of the embedded structures, we distinguish between social assets and social resources. Social assets were normally intangible valuable resources embedded in a community (Guclu et al., 2002) which although not directly relevant to the social enterprise, form conditions for a feasible opportunity to emerge. For example, P1-1, a social entrepreneur trying to preserve the culture and handicraft of the Miao, one of the many ethnic minorities in China, relied on the richness and uniqueness of Miao’s culture and handicrafts as a social asset to commercialise its cultural products.

The more tangible social resources embedded within exchange relationships were also crucial to SE opportunity actualisation. We found at least three types of social resources: operating resources, information and knowledge, power and influence (see second order themes in Appendix 2). Tangible operating resources included financial resources, human resources, market channels, equipment, offices and professional advice. This is illustrated by the case of P25-1, the artist who ‘accidentally’ became a social

entrepreneur. Here, the introduction of a friend to a non-profit incubator in Shanghai, with close relationships with local government, enabled the organisation to be successfully registered as a social enterprise. With the support of the incubator, considerable commercial and political resources were realised and the SE opportunity took shape. The second type of social resource, information and knowledge, could be about particular social needs or about technical details, such as that about the application of a particular methods to aid dyslexic children in C8. The third type of social resource was power and influence obtained through exchange relationships. For example in C26, a government stakeholder provided marketing support and equipment which were normally only available to NPOs.

Our cases suggest that the availability of social assets and resources determined the feasibility of establishing market exchange relationships, without which the social enterprises would not be able to survive, and accordingly the SE opportunities would not exist. Depending upon how different agents acted upon these relationships, the embedded structure could enable SE opportunity actualisation through successful market exchange relationships. Failing to do so would lead to the non-actualisation of the opportunity.

## **DISCUSSION: DEVELOPING A CRITICAL REALIST THEORY OF SE OPPORTUNITY EMERGENCE**

Within this paper, we contribute to calls for more empirically informed conceptualisations of SE (Sassmannshausen and Volkmann, 2016) to expand the evidence base regarding SE practice in under-explored countries and contexts (Doherty et al., 2014), whilst also identifying structural and agential conditions that underpin opportunities (Martin and Wilson, 2016). To contribute to theory development, we draw upon an empirical, critical realist analysis that develops an explanation of SE opportunities in China. Dimov's (2011) framework assisted us in analysing the lived SE

experiences in opportunity actualisation to empirically analyse actualised opportunities. Furthermore, critical realism enabled us to reproduce the structures and causal powers of the entities necessary for SE opportunities to exist and how these are related to human agency. Our findings highlighted two important aspects of SE opportunities: an agential aspect – SE opportunity actualisation following a path-dependent seeding-growing-shaping process – and a structural aspect – Internally related institutional, cognitive and embedded structures necessary for SE opportunities to emerge. Whilst the path-dependency of SE opportunity actualisation is due to social entrepreneurs having particular ways of interacting with the structures, the structures themselves provided three boundary conditions for human agency: institutional discrimination, the social entrepreneurial belief system and social feasibility, which enabled the actualisation of SE opportunities. Integrating both empirical and theoretical conceptualisations using critical realist methods, this theoretical framework extends SE research, helping to describe the phenomenon and developing an understanding of when and how SE opportunities are in existence. As such, this constitutes an applicable tool for researchers and practitioners to examine SE opportunity and develop insight into how it emerges in practice. We now elaborate on the implications of our theoretical framework regarding the dynamic interactions between structure and agency, as well as institutional and collaborative dynamics. We then highlight contributions to SE theory development and limitations of this study.

### **Dynamic Interactions between Structure and Agency**

Our findings suggest that SE opportunity actualisation is a complex social phenomenon that is not only a path-dependent process but also involves dynamic interactions between structure and agency. A seed venture idea must have its root in the institutional structure; otherwise, it cannot be sustained. What is being produced at the



particular seeding moment can be an inspiration that may, or may not, be considered viable in the future (Davidsson, 2015; Dimov, 2007), so the seed venture idea may, or may not, be developed into an SE opportunity. As such, SE opportunity emergence must include the possibility of failure caused by either agent error or structural constraints. Similarly, the growing and shaping process of an SE opportunity would comprise acting upon the seed venture idea with internal motives and external resources, adjusting to the external environment and exchanging with other social sector market actors. These actions would be either enabled or constrained by cognitive structures and embedded resources which may, or may not, lead to entrepreneurial failure. When the SE opportunity is actualised, the opportunity can manifest itself as products or services that create both social and economic value in the social sector market. However, whether or not the opportunity is transformed as a social venture – as a new emergent entity with new properties – can be seen as the outcome of further exploiting the actualised SE opportunity.

Our findings enable us to develop a theoretical explanation of SE opportunity as an emergent entity and specify its structures, causal powers and relations with SE actions and outcomes. SE opportunities emerge from the interactions between SE agency and structures at different levels, namely the institutional, cognitive and embedded levels. This theorisation of SE opportunities interweaves institutional situations, cognitive beliefs and social embeddedness (Grimes et al., 2013). Departing from these notions, and from structuration theory in general, we separate structure and agency by considering them as related, but ontologically different, domains of reality (Danermark et al., 2002; Leca and Naccache, 2006). This separation allows us to logically discuss their interactions and effects upon each other (Mole and Mole, 2010; Volkoff et al., 2007).

We acknowledge the co-existence of structure and agency in collectively shaping SE opportunities rather than attributing the opportunities to an isolated form or forms of structure or agency, as suggested in existing literature (Guclu et al., 2002; Martin and Osberg, 2007). First, the three identified structures of SE opportunities derive from human action as SE opportunity occurs in a social world transformed by human actions (Blundel, 2007; Danermark et al., 2002). Rather than argue that they are created by social entrepreneurs, our findings suggest they are emergent social structures and so, subject to new properties and causal powers which cannot be reduced to the properties and causal powers of any individual human action.

Social entrepreneurs may, or may not, be able to perceive the existence of these social structures, but without them, SE opportunities could not exist. In other words, SE agency always occurs in a social world of structural constraints and possibilities (Bhaskar, 1998). Second, our theorisation of SE opportunities does not deny the importance of SE agency. Resonating with those of Perrini et al. (2010), our findings acknowledge the importance of individual social entrepreneurs developing and acting upon the structures of SE opportunities. SE opportunity emergence relies on the capability of social entrepreneurs to perceive and act upon structural constraints and possibilities. Third, the findings emphasise the need to acknowledge the role of context in shaping SE opportunities. We argue that SE opportunity actualisation is highly contextualised. The empirical evidence suggests multi-level institutional and social links between social entrepreneurs and the surrounding context and hence, multi-level influences upon SE actions. These might be direct, such as market collaboration, or indirect, such as institutional situations interpreted as social problems, which are also influenced by SE actions - the social sector market being shaped by developing exchange relationships. As such, the actualisation of a specific SE opportunity, by a particular social entrepreneur,

under certain circumstances could not be replicated in other cases. In effect, the three structures are subject to contextual influences; they change and evolve in a dynamic social world (Wynn and Williams, 2012), whilst agents adopt particular ways of acting upon structures.

### **Institutional and Collaborative Dynamics**

Our evidence also extends understanding of how structures work in SE opportunity emergence, particularly at the institutional and embedded levels. First, the findings suggest that institutional voids underpin SE opportunity emergence and indeed, SE in general. The term ‘institutional void’ normally refers to the absence of institutional arrangements for market functioning and development (Mair and Marti, 2009; Stephan et al., 2015). In existing research, institutional voids are mainly presented as an inhibitor of Western-style market functioning, development, and participation (Mair et al., 2012). Yet, our findings suggest that these constraining effects in a commercial market actually assist social entrepreneurs to develop opportunities which could support the emergence of a new social sector market in China. Consequently, institutional voids appear as a form of ‘opportunity space’ for social entrepreneurs and a fertile ground for SE opportunity emergence (Baker et al., 2005; Bothello et al., 2019; Mair et al., 2012).

Second, the evidence pertaining to the political and socio-market logics adds new insights into the role of institutional logics in SE opportunity emergence and SE in general. The extant literature suggests that SE responds to two conflicting institutional logics, a market logic to achieve business ends and a social welfare logic to achieve social ends (Doherty et al., 2014; Pache and Santos, 2013). Social entrepreneurs respond to the tension between these logics by, for example, creating a common organisational identity (Battilana and Dorado, 2010) or diverse compromise strategies (Mitzinneck and Besharov, 2018). However, we found that the institutional environment in China enables

more integrated – rather than conflicting – socio-market logics to develop. Furthermore, social entrepreneurs also respond to other existing institutional logics, such as the political logic in China, when actualising SE opportunities. These findings have implications for future research in understanding the hybridity in SE as a multi-dimensional space with complementary logics that go beyond the combination of two conflicting logics (Besharov and Smith, 2014).

Finally, an important element of our argument is that opportunity actualisation is a path-dependent process that cannot be reduced to a single idea, person, cognitive process or other single contextual situation. The complex structure-agency relations and SE actions identified (see Appendix 2), and the contextual diversity encompassing them suggest that SE opportunity emergence does not only require an individual social entrepreneur responding to internal beliefs, but also to be embedded in the broader social sector market and wider institutional context (de Bruin et al., 2017). Accordingly, actualising SE opportunities requires greater complexity in managing relationships within communities (Austin et al., 2006; Haugh, 2007; Lumpkin et al., 2018) and research into SE opportunities must involve some elements of connectedness (Hu, 2018). In this vein, SE opportunities can be seen as ‘co-created between the entrepreneur, customers, suppliers, and other stakeholders in the context’ (Alvarez and Barney, 2014: 164), but this co-creation must also occur in a structured social world, with objective social needs existing and driving the interaction between social entrepreneurs and institutional, cognitive and embedded social structures.

### **Contributions to SE Theory Development**

Drawing from our discussion, we identify a number of contributions to SE theory development. Thus, we contribute to a greater understanding of SE opportunities and the structure-agency relations that enable SE opportunity actualisation. We provide a novel

critical realist analysis of SE opportunity actualisation which enriches the SE literature where opportunities are usually taken as a given. Further, we address the lack of a clear explanation of the SE opportunity phenomenon (Engelke et al., 2015; Mair and Martí, 2006; Perrini et al., 2010). We achieve this by noting two critical structural and agential aspects of SE opportunities and analysing their relations in SE opportunity emergence through a novel critical realist perspective and methodology. We have argued that structure and agency are equally important and inter-related. SE opportunity emergence relies on the capability of agents to produce and act upon structures following the seeding-growing-shaping process, whilst the structures themselves provide boundary conditions for human agency that enable the actualisation of SE opportunities. Drawing these insights together, we suggest that future research on SE opportunities needs to go beyond the ‘social entrepreneur – SE opportunity’ nexus (Arend, 2013) and consider wider institutional and community dynamics.

In addition, we address empirical challenges SE scholars encounter when studying opportunities; for instance, how to reliably examine SE opportunities and so, distinguish them from other opportunities. This represents a contribution to the development of rigorous research design and research methods in studying complex social events that incorporates the influence of both structure and agency without adopting conflicting ontological positions. We contribute to addressing these challenges through critical realist abstraction where SE opportunities are seen as an emergent conceptual entity that can be empirically examined through a set of observable phenomena before and after their actualisation. Empirically, this enables an explicit and direct focus on the data specifically relevant to entrepreneurial opportunities.

Critical realism holds that human knowledge is not only fallible, but also needs to be contextualised (Al-Amoudi and Willmott, 2011; Bhaskar, 1998). So, our theorisation

of opportunities in the SE context cannot exhaust the structures and causal powers in the market focused commercial entrepreneurship context and our research findings are situated in the SE context thus, could not be directly transposed into general market based entrepreneurial opportunity theorising. However, we hope our conceptualisation of opportunities and methodology could provide useful theoretical and empirical tools for the general entrepreneurship literature by exploring structure-agency relationships. We argue that there will be different structures and causal powers presenting when theorising opportunities in the market based commercial entrepreneurship context, we argue this study has provided a useful example to explore the dynamic structure/agency relations in an empirical setting.

### **Limitations**

In terms of limitations, this study does not seek for generalisation, as critical realism holds that social events occur in an open system and human knowledge is essentially fallible (Kempster and Parry, 2011; Sayer, 1992; Wynn and Williams, 2012). As such, we do not claim that the analysis of these findings should be considered as the only explanation of SE opportunity emergence, or that it has fully explained the SE opportunity as a complex social event in its every aspect. The theoretical framework developed in this study serves as explanation in the context of SE in China which may require further refinement from future research.

### **CONCLUSION**

This paper offers a distinct contribution to debate by theoretically analysing and empirically illustrating SE opportunity emergence. As such, it addresses contemporary ambiguity in analysing opportunity issues within the distinctive context of SE. It extends SE research by developing a novel theoretical model to explain the nature and dynamic

structure/agency relations in SE opportunity emergence through drawing upon an empirical investigation informed by a critical realist philosophy and methodology. It has also provides a description of SE opportunity actualisation that addresses some of the empirical challenges SE scholars encounter when analysing opportunities. We believe this theoretical framework and methodology provides useful conceptual and applicable tools for future researchers upon how SE opportunities can be studied, especially in under-researched contexts. We also hope this study will inspire other researchers to adopt critical realism for research topics that requires in-depth and comprehensive explanation.

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## Appendix 1 Participant Demographics

Case	Social Sector	Participant	Role	Case	Social Sector	Participant	Role
<b>Case 1 (Pilot)</b>	Culture preservation	1-1, F	Founder	<b>Case 18</b>	Women empowerment	18-1, F	Manager
<b>Case 2 (Pilot)</b>	Microfinance	2-1, M	Manager	<b>Case 19</b>	Food safety, agriculture	19-1, M	Founder
<b>Case 3 (Pilot)</b>	Fair trade	3-1, F	Founder	<b>Case 20</b>	Education, employability	20-1, M	Founder
<b>Case 4</b>	Age care	4-1, F 4-2, F	Founder Employee	<b>Case 21</b>	Disability	21-1, F	Founder
<b>Case 5</b>	Rural education	5-1, M 5-2, F	Founder Employee	<b>Case 22</b>	Disability	22-1, M	Founder
<b>Case 6</b>	Autism	6-1, F 6-2, F	Founder Manager	<b>Case 23</b>	Food safety	23-1, F	Founder
<b>Case 7</b>	Fair trade	7-1, F	Founder	<b>Case 24</b>	Disability	24-1, F 24-2, F	Founder Line manager
<b>Case 8</b>	Dyslexia	8-1, F 8-2, F	Founder Manager	<b>Case 25</b>	Autism	25-1, M	Founder
<b>Case 9</b>	Disability	9-1, F	Founder	<b>Case 26</b>	Disability	26-1, M	Founder
<b>Case 10</b>	CSR	10-1, F	Founder	<b>Case 27</b>	Autism	27-1, M	Founder
<b>Case 11</b>	Autism	11-1, M 11-2, M 11-3, F	Founder Manager Manager	<b>Case 28</b>	Disability	28-1, M	Founder
<b>Case 12</b>	Autism	12-1, M	Manager	<b>Case 29</b>	Poverty, sustainability	29-1, M	Founder
<b>Case 13</b>	Volunteering	13-1, M	Founder	<b>Stakeholder 1</b>	SE training	S1-1, F S1-2, M	Former SE director SE training officer
<b>Case 14</b>	Disability	14-1, M	Founder	<b>Stakeholder 2</b>	SE funding	S2-1, F	Senior officer
<b>Case 15</b>	Women development	15-1, F	Manager	<b>Stakeholder 3</b>	SE incubator	S3-1, F	Founder
<b>Case 16</b>	Education	16-1, M	Founder	<b>Stakeholder 4</b>	University/SE incubator	S4-1, M	Manager
<b>Case 17</b>	Volunteering	17-1, F	Founder	<b>Stakeholder 5</b>	SE incubator	S5-1, F S5-2, F S5-3, F	Vice-president Manager Manager

## Appendix 2: Stages of the Data Analysis Process

Empirical Description of SE Opportunities (Three Units of Observation)	First Order Concepts (Description of SE Opportunity Actualisation)	Second Order Themes (Internal related Entities based on Abstraction and Retrodution across Cases)	Third Order Abstraction Categories (Structures and Causal Powers of SE Opportunity)
	What cannot be removed without making the SE opportunities cease to exist in its present form?		
How did social entrepreneurs form <b>seed venture ideas</b> ?	<ul style="list-style-type: none"><li>Searching and Scanning for information about a social problem</li><li>Interpretation of social problems based on prior knowledge</li><li>Personal experience of social problems</li></ul>	<b>Social Welfare Void</b> - Mismatch between supply and demand of social goods	Institutional Structure (Institutional discrimination)
		<b>Political Logic</b> - Government long-term social policies and plans	
	<ul style="list-style-type: none"><li>Serendipity: exploiting environmental contingencies and continuous adjustment of ideas based on new means</li><li>Social venture capitalists and private foundations providing funding opportunities</li></ul>	<b>Socio-market Logic</b> - Increasing government support on SE - Growing corporate social responsibility - Integration of social and market logics	
When and how did social entrepreneurs take <b>actions</b> to actualise the seed venture ideas?	<ul style="list-style-type: none"><li>Actions based on emotional empathy, interests or moral judgments</li><li>Mission-driven decisions and actions</li></ul>	<b>SE intentions</b> - Emotional empathy - Moral judgment	Cognitive Structure (Social Entrepreneurial Belief System)
	<ul style="list-style-type: none"><li>Evaluation of possible solutions to the social problem</li><li>Business planning</li><li>Reinventing existing business models</li><li>Trial and error process</li><li>Recursive attempts of experimenting ideas</li></ul>	<b>Means-ends framework</b> - Actions and willingness of developing means to achieve social missions	
	<ul style="list-style-type: none"><li>Actions under the principle of affordable loss</li><li>Following entrepreneurial instinct based on past experiences</li><li>Adjusting social products to situations and contingencies</li></ul>	<b>Entrepreneurial self-efficacy</b> - Beliefs regarding profit generation - Beliefs regarding controllable loss	
How did social entrepreneurs develop <b>market exchange relationships</b> ?	<ul style="list-style-type: none"><li>Community/beneficiary capacities</li></ul>	<b>Social assets</b> - Intangible resources embedded in target communities	Embedded Structure (Social Feasibility)
	<ul style="list-style-type: none"><li>Purposive selection of target communities/beneficiaries</li><li>Mutually-selected partnerships</li><li>Collaborative product development,</li><li>Collective marketing</li><li>Social sector market collaboration</li></ul>	<b>Social resources</b> - Operating resources - Information and knowledge - Power and influence	
	<b>Elimination of External and Contingent Relations</b> (gender, age, prior knowledge, entrepreneurial alertness etc.)		